

# *The Apartment Report*<sup>TM</sup>

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## LAND MERCHANTS HIT THE MARKET

The land market may seem stagnant at the moment but a closer look reveals some undercurrents of activity. Developers like **Wood Partners**, **Trammell Crow Residential**, **Newland Communities**, **Harvard Investment Inc./Cardon Cos.** and **Transcontinental Realty Investors Inc. (TRI)** may not make mammoth land acquisitions but they definitely pursue some land deals. Some like **INCAP** try to unload acreage from their portfolios, knowing that a good parcel will find a buyer no matter what market statistics may predict.

Most developers currently refrain from acquiring land, but that could change after the impending presidential elections. Anticipate developers investing in urban, redevelopment and re-use areas — more people want to live closer to work due to rising energy prices. Keep an eye on major employment centers, as they are the development hot spots for the next three to five years. **Strategic Land Advisors** Principal **Barry Gross** notices that despite the large amount of “for sale” signs and buzz, very few transactions actually close. Blame it on the weak economy, stricter financing rules and the elections just around the corner. For the most part, parcels that change hands are either distressed or stressed assets. However, markets with strong employment and population growth entice developers who buy land, intending to build when the market turns.

Land prices go up in some metro areas due to tough financing for commercial properties. Land values almost tripled in the last decade in Metropolitan Denver, with prices averaging \$40/s.f. to \$80/s.f. Area firms expect prices to drop by 10% to 25% in the next three to five years. Houston sees an average 34% hike in commercial property values since last year. In Broward County, Fla., commercial land value increases by 11.7% over 2007, going north of \$12/s.f. Land fees go for around \$20/s.f. in Maricopa County, Ariz. In Texas’ Dallas County, land prices stay close to last year’s, ranging from \$25/s.f. to \$125/s.f., depending on location. Generally, land prices in Dallas County drop further south because of accessibility issues. Southern California land values dipped 12% to 30% since December. Orange County remains strong, while the Inland Empire takes the hardest hit as land costs fell by 12% to 17% since its 2005 peak.

Wood Partners pursues three to four land contracts in the next 12 to 18 months in Metro Denver. Blueprints will include three- to four-story urban, garden-style products or higher density TOD products. The firm outlines plans for **City House**, a high-rise, high-end rental product in Southern Denver, projected to break ground in Q4 2008 or early 2009. Word is the land cost nearly \$20K/projected unit. Newly appointed Operations Manager **Timothy McEntee** expects a 16- to 20-month completion time. Construction costs are in the \$2-plus/s.f. range. Wood typically uses 20% to 30% equity and funds the rest through major banks for its projects. It secures financing through its JV with CB Richard Ellis formed earlier this year. The partnership provides Wood recapitalization to fund deals. Expect one or two other projects to break ground in the next nine to 12 months as McEntee pursues entitlement for a couple of sites. Wood plans to add 700 to 800 more units in Colorado this year and about 4,000/year thereafter.

Trammell Crow Residential acquires a distressed 43.7-acre parcel in Plantation, Fla., for close to \$25M. That equals \$572K/acre or \$52K/proposed unit. The parcel sits near I-95 and 136<sup>th</sup> Avenue in Broward County — an area hit by Hurricane Wilma in 2005. Trammell plans to build the 481-unit **Alexan Plantation**, comprising apartments and townhouses. The company counts on occupancies to stay in the 95%-range in the area.

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Newland pays nearly \$51M, or \$17K/acre, for 3,000 acres in Goodyear, Ariz. It plans to expand its **Estella Mountain Ranch** master-planned community, about 17 miles from Phoenix. Newland projects 25 years to complete the MPC that will include 1,600 acres of commercial/rental space, as well as 50,000 homes. In 2006, Newland bought another 2,700 acres for the MPC.

A partnership between Harvard Investment, Cardon Cos. and private investor **Mike Cowley** pays \$10.1M to buy 1,127 acres in Lake Pleasant, Ariz. This is the second of three purchases by the joint venture. The property will become part of 4,892-acre **Lake Pleasant 5000**, a mixed-use development at the base of the Hieroglyphic Mountain Range, 10 miles west of Lake Pleasant in North Metropolitan Phoenix. The master plan includes a 178-acre commercial component that could feature multifamily units. Also on board: a 233-acre golf course, 8,500 single-family homes and a 35-acre resort site. Harvard VP **Christopher Cacheris** plans to buy the remaining 2,521 acres. Look for development on this parcel to start in the next three to five years.

Transcontinental Realty Investors purchases a 14.8-acre tract of land on State Highway 114 in Las Colinas, Texas. Transcontinental likely spent between \$20/s.f. to \$40/s.f. MCLC Realty sold the parcel.

INCAP Fund markets more than 200 acres in Downtown Dallas' southwest neighborhood to builders and developers. Land price tags from \$25/s.f. to \$40/s.f. The entire package could fetch \$270M. INCAP bought the property for \$200M about two years ago, which included dilapidated residential buildings with about 1,500 rental units. INCAP Senior Managing Director **Alan McDonald** tore down all the construction in order to make room for newer office and housing.